

2019 Current Fiscal Year Report: Market Risk Advisory Committee

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1. Department or Agency

Commodity Futures Trading Commission

2. Fiscal Year

2019

3. Committee or Subcommittee

Market Risk Advisory Committee

3b. GSA Committee No.

2494

4. Is this New During Fiscal Year?

No

5. Current Charter

05/09/2018

6. Expected Renewal Date

05/09/2020

7. Expected Term Date

8a. Was Terminated During Fiscal Year?

No

8b. Specific Termination Authority

8c. Actual Term Date

9. Agency Recommendation for Next Fiscal Year

Continue

10a. Legislation Req to Terminate?

No

10b. Legislation Pending?

Not Applicable

11. Establishment Authority Agency Authority

12. Specific Establishment Authority

Commission Order

13. Effective Date

04/24/2014

14. Committee Type

Continuing

14c. Presidential?

No

15. Description of Committee Non Scientific Program Advisory Board

16a. Total Number of Reports

No Reports for this Fiscal Year

17a. Open 1 17b. Closed 0 17c. Partially Closed 0 Other Activities 0 17d. Total 1 Meetings and Dates

Purpose	Start	End
To discuss: (1) The current state of clearinghouse risk management and governance and what lies ahead, (2) the management of non-default losses by clearinghouses in recovery and resolution, (3) recent reports and discussion papers on central clearing by global standard setting bodies, and (4) the oversight of third-party service providers/vendor risk management.	12/04/2018	12/04/2018

Number of Committee Meetings Listed: 1

	Current FY	Next FY
18a(1). Personnel Pmts to Non-Federal Members	\$0.00	\$0.00
18a(2). Personnel Pmts to Federal Members	\$0.00	\$0.00
18a(3). Personnel Pmts to Federal Staff	\$0.00	\$0.00
18a(4). Personnel Pmts to Non-Member Consultants	\$0.00	\$0.00
18b(1). Travel and Per Diem to Non-Federal Members	\$0.00	\$0.00
18b(2). Travel and Per Diem to Federal Members	\$0.00	\$0.00
18b(3). Travel and Per Diem to Federal Staff	\$0.00	\$0.00
18b(4). Travel and Per Diem to Non-member Consultants	\$0.00	\$0.00
18c. Other(rents,user charges, graphics, printing, mail, etc.)	\$0.00	\$0.00

18d. Total	\$0.00	\$0.00
19. Federal Staff Support Years (FTE)	0.00	0.00

20a. How does the Committee accomplish its purpose?

The MRAC was established to conduct public meetings, advise and submit reports and recommendations to the Commission on matters of public concern to clearinghouses, exchanges, intermediaries, market makers, end-users and the Commission regarding systemic issues that impact the stability of the derivatives markets and other related financial markets, and to otherwise assist the Commission in identifying and understanding the impact and implications of an evolving market structure and movement of risk across clearinghouses, intermediaries, market makers and end-users. During this fiscal year, MRAC held two meetings. At the January 31, 2018 meeting, the MRAC discussed: 1) the self-certification process for listing new products on CFTC-regulated Designated Contract Markets and Swap Execution Facilities; (2) how new products are considered and analyzed by CFTC staff from a risk perspective; (3) product design, governance and oversight of new products by futures exchanges and risk management by clearinghouses; and (4) policy and regulatory considerations in connection with “novel” products. At the second meeting, held on July 12, 2018, the MRAC discussed: (1) the current initiatives to reform the London Interbank Offered Rate (LIBOR), including the efforts of the Alternative Reference Rates Committee and other key market participants; (2) the latest developments in LIBOR, the Secured Overnight Financing Rate (SOFR), and SOFR derivatives; and (3) the impact of LIBOR reform on the derivatives markets. The MRAC voted to recommend to the Commission the establishment of a LIBOR reform subcommittee. Subsequently, the Commission established the Interest Rate Benchmark Reform Subcommittee to provide reports and recommendations to the MRAC regarding ongoing efforts to transition U.S. dollar derivatives and related contracts from LIBOR to a risk-free rate, the SOFR, and the impact of such transition on the derivatives markets. The discussions at these MRAC meetings on critical market risk and market structure issues (i.e., self-certification of Bitcoin futures contracts and LIBOR transition) accomplished the MRAC’s purpose of assessing the impact and implications of developments in the structure of the derivatives markets, as well as systemic issues that impact the stability of the derivatives markets and other related financial markets.

20b. How does the Committee balance its membership?

The Commission ensures the MRAC’s membership is balanced by appointing individuals who represent groups with an interest in the MRAC’s mission and function and reflect a wide range of perspectives and interests, including those that may be conflicting, related to the derivatives markets and other financial markets. Its membership consists of the following types of representatives: (1) end-users; (2) exchanges; (3) swap execution

facilities; (4) swap data repositories; (5) clearinghouses; (6) asset managers; (7) intermediaries; (8) market makers; (9) service providers; (10) academia; (11) public interest groups; (12) and regulators.

20c. How frequent and relevant are the Committee Meetings?

The MRAC typically meets two or more times per calendar year. The subjects of market risk and the evolution of market structure are highly relevant to the work of the CFTC. In addition, addressing systemic risk is at the heart of the Commission's mission. Through a formal request for comment submissions in the Federal Register, the Commission sought public input on potential topics for the MRAC to prioritize in making recommendations to the CFTC on how to improve market structure and mitigate systemic risk. Moreover, at the July 2018 meeting of the newly-reconstituted Committee, MRAC members provided suggestions regarding the Committee's priorities and agenda. This discussion was an invaluable opportunity for the Commission to hear a wide range of market participants discuss risks in our markets that the Commission may not be addressing, or addressing inadequately. These public and member comments taken together with current market events were used to determine the discussion topics for future meetings.

20d. Why can't the advice or information this committee provides be obtained elsewhere?

Currently, the Commission does not have another manner in which to obtain regular feedback from the public, market participants, and registrants on market risk and systemic market issues that could impact the stability of derivatives and other markets. The MRAC helps the Commission understand how the public, market participants and registrants are affected by structural changes in the derivatives and other financial markets. Accordingly, the MRAC assists the Commission with respect to developments in the structure of the derivatives markets and the effects that such changes may have on systemic issues that could impact the stability of derivatives and other financial markets.

20e. Why is it necessary to close and/or partially closed committee meetings?

N/A

21. Remarks

N/A

Designated Federal Officer

Alicia L Lewis Special Counsel, Office of Commissioner Rostin Behnam

Committee Members	Start	End	Occupation	Member Designation
Banaei, B. Salman	06/26/2018	06/14/2021	Executive Director, Global Head of Clearance and Settlement, IHS Markit	Representative Member

Berger, Stephen	06/22/2018	06/14/2021	Managing Director and Global Head of Government & Regulatory Policy, Citadel	Representative Member
Betsill, Lee	06/28/2018	06/14/2021	Managing Director and Chief Risk Officer, CME Group	Representative Member
Chang, Isaac	06/28/2018	06/14/2021	Managing Director and Co-Head of Trading, AQR Capital Management, LLC	Representative Member
Chatterjee, Biswarup	06/22/2018	06/14/2021	Global Head of Electronic Trading & New Business Development, Credit Markets, Citigroup	Representative Member
Crichton, Alicia	07/12/2018	06/14/2021	Chief Operating Officer, Prime Services, US Clearing, Goldman Sachs	Representative Member
Graulich, Matthias	06/25/2018	06/14/2021	Member of the Executive Board and Chief Strategy Officer, Eurex Clearing AG	Representative Member
Hayden, Frank	07/01/2018	06/14/2021	Vice President, Trading Compliance, Calpine Corporation	Representative Member
Hopkins, Lindsay	06/27/2018	06/14/2021	Clearing House Counsel, Minneapolis Grain Exchange	Representative Member
Hunter, Annette	06/25/2018	06/14/2021	Senior Vice President and Director of Accounting Operations, Federal Home Loan Bank of Atlanta	Representative Member
Karousos, Demetri	06/29/2018	06/14/2021	Chief Risk Officer, Nodal Clear, LLC, and Managing Director, Market Administration and Surveillance, Nodal Exchange, LLC, Nodal Exchange, LLC	Representative Member
Kleinbauer, Derek	06/22/2018	06/14/2021	Global Head – Rates and Equity e-Trading, Bloomberg LP and Vice President, Bloomberg SEF LLC, Bloomberg SEF LLC	Representative Member
Klimpel, Laura	06/29/2018	06/14/2021	Managing Director, The Depository Trust & Clearing Corporation	Representative Member
Koeling, Sebastiaan	06/29/2018	06/14/2021	Chief Executive Officer, Optiver US LLC	Representative Member
McClear, Kevin	06/29/2018	06/14/2021	Corporate Risk Officer, Intercontinental Exchange, Inc.	Representative Member
McLaughlin, Dennis	06/29/2018	06/14/2021	Group Chief Risk Officer, LCH Group	Representative Member
Mendes, Carey	06/29/2018	06/14/2021	Chief Executive Officer, Global Oil – Americas, BP Integrated Supply and Trading	Representative Member
Messinger, Craig	06/25/2018	06/14/2021	Senior Advisor, Virtu Financial	Representative Member
Michaels, Dale	06/22/2018	06/14/2021	Executive Vice President, Financial Risk Management, The Options Clearing Corporation	Representative Member
Murphy, John	07/02/2018	06/14/2021	Managing Director and Global Head of the Futures Division, Mizuho Americas	Representative Member
Philippon, Thomas	06/25/2018	06/14/2021	Academia, Max L. Heine Professor of Finance, New York University-Leonard N. Stern School of Business	Special Government Employee (SGE) Member
Priyadarshi, Sam	06/25/2018	06/14/2021	Head of Portfolio Risk and Derivatives, Vanguard	Representative Member
Raiff, Jonathan	06/25/2018	06/14/2021	Senior Managing Director, Head of Global Markets Americas, Nomura Securities International, Inc.	Representative Member
Rosenberg, Marnie	06/27/2018	06/14/2021	Managing Director and Global Head of Clearing House Risk and Strategy, JP Morgan	Representative Member
Shanahan, James	06/22/2018	06/14/2021	Vice President – Financial Regulatory Compliance, CoBank ACB	Representative Member
Shemie, Lisa	06/22/2018	06/14/2021	Associate General Counsel, Chief Legal Officer – Cboe FX Markets and Cboe SEF, Cboe Global Markets	Representative Member
Simkins, Betty	06/26/2018	06/14/2021	Academia, Head of Finance Department, Professor and Williams Companies Chair in Business, Oklahoma State University, Spears School of Business	Special Government Employee (SGE) Member
Slocum, Tyson	06/27/2018	06/14/2021	Director, Energy Program, Public Citizen	Representative Member

Stanley, Marcus	06/29/2018	06/14/2021	Policy Director, Americans for Financial Reform	Representative Member
Steigerwald, Robert	07/09/2018	06/14/2021	Senior Policy Advisor, Financial Markets, Federal Reserve Bank of Chicago	Representative Member
Tramontana, Janine	06/27/2018	06/14/2021	Vice President and Senior Counsel, Federal Reserve Bank of New York	Representative Member
Walters, Kristen	06/28/2018	06/14/2021	Global Chief Operating Officer of Risk and Quantitative Analysis Group, BlackRock	Representative Member
White, Suzy	07/10/2018	06/14/2021	Chief Risk Officer, Global Banking & Markets and Commercial Banking, Americas, HSBC	Representative Member
Yared, Rana	07/02/2018	06/14/2021	Managing Director, Principal Strategic Investments Team, Securities Division, Goldman Sachs	Representative Member
Zubrod, Luke	06/22/2018	06/14/2021	Director of Strategic Initiatives, Chatham Financial	Representative Member
Zucker, Scott	06/22/2018	06/14/2021	Chief Administrative Officer, Tradeweb	Representative Member

Number of Committee Members Listed: 36

Narrative Description

The Commission's mission is to protect market users and the public from fraud, manipulation, abusive practices and systemic risk related to derivatives that are subject to the Commodity Exchange Act, and to foster open, competitive, and financially sound markets. The MRAC supports this mission and the agency's strategic plan by assisting the Commission with identifying and understanding the impact and implications of an evolving market structure and movement of risk across clearinghouses, exchanges, swap execution facilities, swap data repositories, intermediaries, market makers and end-users.

What are the most significant program outcomes associated with this committee?

Checked if Applies

Improvements to health or safety	<input type="checkbox"/>
Trust in government	<input checked="" type="checkbox"/>
Major policy changes	<input type="checkbox"/>
Advance in scientific research	<input type="checkbox"/>
Effective grant making	<input type="checkbox"/>
Improved service delivery	<input type="checkbox"/>
Increased customer satisfaction	<input type="checkbox"/>
Implementation of laws or regulatory requirements	<input type="checkbox"/>
Other	<input checked="" type="checkbox"/>

Outcome Comments

The MRAC assists with assessing issues impacting clearinghouses, exchanges, swap execution facilities, swap data repositories, intermediaries, market makers, and

end-users, and also contributes to pending rule rulemakings and policy considerations within the Commission.

What are the cost savings associated with this committee?

Checked if Applies

None	<input type="checkbox"/>
Unable to Determine	<input checked="" type="checkbox"/>
Under \$100,000	<input type="checkbox"/>
\$100,000 - \$500,000	<input type="checkbox"/>
\$500,001 - \$1,000,000	<input type="checkbox"/>
\$1,000,001 - \$5,000,000	<input type="checkbox"/>
\$5,000,001 - \$10,000,000	<input type="checkbox"/>
Over \$10,000,000	<input type="checkbox"/>
Cost Savings Other	<input type="checkbox"/>

Cost Savings Comments

N/A

What is the approximate Number of recommendations produced by this committee for the life of the committee?

13

Number of Recommendations Comments

The MRAC had one formal recommendation to the Commission in FY 2018. At its July 12, 2018 meeting, the MRAC voted to recommend to the Commission the establishment of a LIBOR reform subcommittee to provide reports and recommendations to the MRAC regarding ongoing efforts to transition U.S. dollar derivatives and related contracts from LIBOR to a risk-free rate (RFR), the Secured Overnight Financing Rate (SOFR), and the impact of such transition on the derivatives markets. Topics and issues this Subcommittee may consider include, but are not limited to, the following: • The treatment, under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, of existing derivatives contracts that are amended to include new fallback provisions or otherwise reference RFRs such as SOFR and new derivatives contracts that reference RFRs; and • Impact on liquidity in derivatives and related markets during the transition.

What is the approximate Percentage of these recommendations that have been or will be Fully implemented by the agency?

100%

% of Recommendations Fully Implemented Comments

The Commission established Interest Rate Benchmark Reform Subcommittee in September 2018.

What is the approximate Percentage of these recommendations that have been or will be Partially implemented by the agency?

0%

% of Recommendations Partially Implemented Comments

N/A

Does the agency provide the committee with feedback regarding actions taken to implement recommendations or advice offered?

Yes ☒ No ☐ Not Applicable ☐

Agency Feedback Comments

The Commission provided feedback on the recommendation to establish a LIBOR reform subcommittee by approving the establishment of the Interest Rate Benchmark Reform Subcommittee in FY 2018.

What other actions has the agency taken as a result of the committee's advice or recommendation?

Checked if Applies

Reorganized Priorities	<input type="checkbox"/>
Reallocated resources	<input type="checkbox"/>
Issued new regulation	<input type="checkbox"/>
Proposed legislation	<input type="checkbox"/>
Approved grants or other payments	<input type="checkbox"/>
Other	<input type="checkbox"/>

Action Comments

N/A

Is the Committee engaged in the review of applications for grants?

No

Grant Review Comments

N/A

How is access provided to the information for the Committee's documentation?

Checked if Applies

Contact DFO

☐

Online Agency Web Site

☒

Online Committee Web Site

☐

Online GSA FACA Web Site

☒

Publications

☐

Other

☐

Access Comments

N/A